

**Supporting Statement for The
Annual Report of Bank Holding Companies
(FR Y-6; OMB No. 7100-0124)**

**Annual Report of Foreign Banking Organizations
(FR Y-7; OMB No. 7100-0125)**

**The Report of Changes in Organizational Structure and the Report of Changes in FBO
Organizational Structure (FR Y-10 and FR Y-10F; OMB No. 7100-0297)**

**Historical cost data from the Report of Changes in Foreign Investments
Made Pursuant to Regulation K
(FR 2064; OMB No. 7100-0109)**

Summary

The Federal Reserve revised and extended for three years the structure reporting requirements for domestic and foreign banking organizations to simplify these reports by replacing the following reporting requirements:

- Changes in Investments and Activities of Top-Tier Financial Holding Companies, Bank Holding Companies, and State Member Banks (FR Y-6A; OMB No. 7100-0124), and
- Foreign Banking Organization Structure Report on U.S. Banking and Nonbanking Activities (FR Y-7A; OMB No. 7100-0125).

In their place, two new reports similar in format will be implemented on September 1, 2001. The Report of Changes in Organizational Structure (FR Y-10; OMB No. 7100-0297) for domestic banking organizations and the Report of Changes in FBO Organizational Structure (FR Y-10F; OMB No. 7100-0297) for foreign banking organizations.

The Federal Reserve revised and extended for three years, the following reporting requirements effective December 31, 2001:

- Annual Report of Foreign Banking Organizations (FR Y-7; OMB No. 7100-0125),
- Annual Report of Bank Holding Companies (FR Y-6; OMB No. 7100-0124), and

The Federal Reserve revised without extension, the following reporting requirement effective September 1, 2001:

- Historical cost data from the Report of Changes in Foreign Investments Made Pursuant to Regulation K (FR 2064; OMB No. 7100-0109).

Current Reporting Requirements

The FR Y-6A is an event-generated report filed currently by top-tier domestic bank holding companies (BHCs), including financial holding companies (FHCs), and state member banks unaffiliated with a BHC or FHC, to capture changes in their regulated investments and activities. The Federal Reserve uses the data to monitor structure information on subsidiaries and regulated investments of these entities engaged in both banking and nonbanking activities.

The FR Y-7A is an annual structure report currently filed by foreign banking organizations (FBOs) as of their fiscal year-end. FBOs that are FHCs also report activities and investments made under their FHC authority on an event-generated basis. The Federal Reserve uses the data to ensure compliance with U.S. banking laws and regulations and to determine the risk profile of the FBO structure.

The FR Y-6 is an annual report filed by all top-tier BHCs containing financial data, an organization chart and information about shareholders. The Federal Reserve uses the data to (1) monitor holding company operations and (2) determine holding company compliance with the provisions of the Bank Holding Company Act (BHC Act) and Regulation Y (12 CFR 225).

The FR Y-7 is an annual report filed by all FBOs that engage in banking in the United States, either directly or indirectly, to update their financial and organizational information. The Federal Reserve uses information to assess an FBO's ability to be a continuing source of strength to its U.S. banking operations and to determine compliance with U.S. laws and regulations.

The FR 2064 is an event-generated report filed by BHCs, member banks, and Edge and agreement corporations to record changes in their international investments. The Federal Reserve uses the information to monitor investments in the international operations of U.S. banking organizations and to fulfill its supervisory responsibilities under Regulation K.

Proposed Reporting Requirements

To reduce burden and system costs and make the forms easier to use, the Federal Reserve reformatted the FR Y-6A and FR Y-7A into two forms, the FR Y-10 and FR Y-10F, respectively. These forms will make the reporting of structure data for domestic and foreign banking organizations more similar. In addition to the formatting changes, the following changes will be made to the data content currently collected on the FR Y-6A and FR Y-7A: increase the thresholds for investments to be included, reduce the types of investments to be included, and streamline the method of reporting percentage of ownership for nonbanking investments. Reporting fewer investments will reduce reporting burden and system costs significantly. In addition, reporting of legal authority (regulatory) and activity codes will be simplified. For consistency purposes, FBOs, which currently file on an annual basis, will report the required structure information on an event-generated basis. The FR Y-10F report will also include data on managed non-U.S. branches, not included on the FR Y-7A report.

The FR Y-7 will be revised to include information on business measurement tests previously included on the FR Y-7A. Both the FR Y-6 and the FR Y-7 organization charts will be revised to exclude small merchant banking investments and debts previously contracted (DPC), parallel language will be included in the FR Y-10 and FR Y-10F instructions, as appropriate. The FR 2064 reporting form will be replaced with a recordkeeping requirement and certain structure information will be moved to the FR Y-10.

Background and Justification

FR Y-6 and FR Y-6A

Section 5(c) of the BHC Act authorizes the Federal Reserve to require reports from BHCs to keep the Federal Reserve informed, in part, of their financial condition, risk management systems, and transactions with bank subsidiaries. Data from the FR Y-6 report enable the Federal Reserve to monitor holding company operations and determine holding company compliance with the provisions of the BHC Act and Regulation Y. The data collected about shareholders, directors, officers and others provide valuable information, which is used for supervisory purposes in various ways. For example, data on outside business interests (including interests in other financial institutions) of directors and officers aid in identifying chain banking organizations by indicating when an individual owns 25 percent or more of each of two or more banking organizations. In addition, information on the principal owners and directors is of supervisory importance since these individuals have a significant effect on the policies and condition of banking organizations. Furthermore, information on the outside business interests of insiders can be useful in uncovering situations that involve a conflict of interest or preferential treatment in the granting of credit. Finally, information on ownership helps the Federal Reserve monitor compliance with the Change in Bank Control Act.

A number of BHCs are not inspected on an annual basis. For these institutions, the FR Y-6 is essential for providing information between BHC inspections. The timely collection of these data in a supervisory report thereby enhances the Federal Reserve's efforts to monitor BHC activities.

Other federal banking agencies use the FR Y-6 in their supervision of national and state nonmember banks. In addition, the FR Y-6 serves as a source of information on bank holding companies for the public and for responses to information requests from Congress.

The Federal Reserve uses the FR Y-6A structure data to support the financial data collected by the Federal Reserve System, to ensure compliance with the BHC Act and to support studies focusing on banking and nonbanking trends of BHCs. Moreover, the Federal Reserve provides FR Y-6A structure information on the investments and banking and nonbanking activities of BHCs to other federal regulatory agencies, the Congress, and the public.

In 1999, the Gramm-Leach-Bliley (GLB) Act amended the BHC Act to allow a BHC or FBO that qualifies as an FHC to engage in a broad range of activities defined to be financial in nature or incidental to a financial activity. The GLB Act also allows an FHC to engage in any activity that the Federal Reserve Board determines to be complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally.

Effective in April 2000, the FR Y-6A was amended for the new activities and the new regulatory citations attendant with the passage of the GLB Act. The FR Y-6A was also expanded to collect information from FHCs and state member banks (and their subsidiaries) that are not

affiliated with a BHC or FHC. The Federal Reserve collects the FR Y-6A from FHCs to monitor the structure information and regulated investments in a manner comparable to the requirements for other BHCs. The Federal Reserve collects the report from unaffiliated state member banks because of additional regulatory oversight imposed on those state member banks that choose to establish a financial subsidiary that is organized in accordance with authority granted by the GLB Act.

FR Y-7 and FR Y-7A

The Federal Reserve implemented the FR Y-7 in January 1972 and required only foreign banks that controlled U.S. subsidiary banks to file. With the enactment of the International Banking Act of 1978 (IBA), Congress established a framework for federal regulation of foreign banks operating in U.S. financial markets. Section 7 of the IBA authorizes the Federal Reserve to examine branches, agencies, and subsidiary commercial lending companies of foreign banks and to assess the condition of the multi-state banking operations of foreign banks. Section 8(a) of the IBA states that foreign banks that engage in banking in the United States through a branch, agency or subsidiary commercial lending company, and companies that control such foreign banks are subject to the provisions of the BHC Act, as amended.

Given these statutory responsibilities, the Federal Reserve issued two policy statements (one on February 23, 1979, and the other on July 20, 1979) on the supervision of FBOs that control a U.S. subsidiary bank, which stated that the Federal Reserve needed full financial information on foreign parent organizations to assess the foreign parents' ability to continue to serve as a source of strength for their U.S. operations. On October 29, 1979, as part of its implementation of those policy statements, the Federal Reserve issued for public comment a proposed FR Y-7 form setting forth annual reporting requirements for FBOs engaged in banking in the United States.

In November 1995, the Federal Reserve implemented the FR Y-7A to collect information on the structure and activities of FBOs to complement financial data that were being collected on the FR Y-7. In December 1996, Federal Reserve issued a memorandum (AD 96-63) to implement procedures for the FR Y-7A Facsimile Confirmation Report. FBOs report structure information only once on the FR Y-7A. Following the initial filing, FBOs fulfill their annual reporting requirement for structure information by annotating a printout for changes and corrections and returning the pages, on a company-by-company basis, to the Reserve Banks as part of their FR Y-7 filing for the year. In April 2000, as a result of the enactment of the GLB Act, changes were made to the FR Y-7A to parallel the changes to the FR Y-6A.

The Federal Reserve System uses information from these reports to assess an FBO's ability to be a continuing source of strength to its U.S. banking operations and to determine compliance with U.S. laws and regulations. This information is not available from other sources.

FR 2064

Sections 25 and 25A of the FRA and Sections 4(c)(13) and 4(c)(14) of the BHC Act govern the formation of Edge and agreement corporations and the international and foreign activities of U.S. banking organizations, including those of national banks, state member banks, Edge and agreement corporations, and BHCs. Pursuant to these statutory provisions, the Federal Reserve adopted various regulatory provisions, all of which were consolidated into Regulation K, setting forth the procedures for making investments and engaging in activities under these statutes. These procedures include (1) a specific consent procedure under which the banking organization may make the proposed investment only after receiving the Federal Reserve Board's prior approval; (2) a prior notification procedure under which the banking organization may make an investment after having given appropriate notice to and not having received any objection from the Federal Reserve Board within the notice period; and (3) a general consent procedure under which the banking organization may make the proposed investment and notify the Federal Reserve Board only after the fact.¹ Investments made under any of the three procedures are reported on the FR 2064. Banking organizations must file the appropriate attachment of the FR K-1 before making an investment pursuant to specific consent or prior notice procedures and the FR 2064 once the investments are consummated. The FR 2064 is the Federal Reserve's primary means of obtaining information on investments made under the general consent procedures.

In October 1985, the Federal Reserve substantially expanded the general consent provisions of Regulation K to reduce the burden of filing notifications. This change, however, placed more importance on monitoring the level of international investments in order to enforce relevant banking laws and regulations.

The FR 2064 reporting form was adopted in June 1981. Previously, much of the same information was provided to the Federal Reserve in a free-form letter as well as in year-end reports. In 1984, an item was added to indicate whether the investee engages in business in the United States, and substantive clarifications were made to the instructions. In 1988, a minor revision was made to the instructions concerning reporting requirements. The report has remained unchanged since that time.

¹ A U.S. banking organization may make a general consent investment if the investment does not exceed certain limits. For initial investments, the general consent limit is the lesser of \$25 million or 5 percent of the investor's tier 1 capital in the case of a member bank, bank holding company, or Edge corporation engaged in banking, or 25 percent of the tier 1 capital of an Edge corporation not engaged in banking. For additional investments in any calendar year, the applicable general consent limit is based upon the investor's tier 1 capital, the amount of cash dividends received by the investor from the investee, the total cost of the investor's direct and indirect investments in the investee in any type of investment, and the historical cost of the investor's direct and indirect investments in the investee. General consent authority is also granted to investments acquired from affiliates within the organization at net asset value.

Description of Information Collection

Current Reporting Requirements

FR Y-6A: The FR Y-6A requires information from all top-tier BHCs, including FHCs, and state member banks not affiliated with a BHC or FHC regarding changes in investments and activities. This report provides data on changes in investments, activities, legal name, location, address, organization and charter type, etc. There are two schedules: the Characteristics Schedule collects information on newly formed or acquired companies and on changes to characteristics of previously reported companies, and the Investments/Activities Schedule collects initial organizational structure and activities and changes to the organizational structure and activities.

FR Y-7A: FBOs that are FHCs file the FR Y-7A on an event-generated basis to report changes in investments and activities related to the GLB Act so that the risk profiles of these FHCs could be determined on a timely basis for the entire FHC structure. All FBOs also file the FR Y-7A annually to report changes in investment and activities of U.S. bank subsidiaries and nonbanking companies that are engaged in business in the United States. The FR Y-7A respondents are required to report structure information on:

- The top-tier and any intermediate-tier FBOs and their branches, agencies, and representative offices in the United States;
- BHCs, banks, Edge and agreement corporations, and commercial lending companies that the FBO controls as defined in the FR Y-7A instructions; and
- Nonbanking companies that are engaged in business in the United States.

FR Y-6: The FR Y-6 is an annual report filed by all domestic bank holding companies. It consists of the requirement to submit the Securities and Exchange Commission (SEC) Form 10-K if the bank holding company is registered with the SEC or an annual report if one is created and sent to shareholders. The FR Y-6 also requires the submission of an organizational chart and information about shareholders that meet certain criteria as well as information on the identity, percentage ownership, and business interests of principal shareholders, directors, and executive officers.

FR Y-7: All FBOs engaged in the business of banking in the United States are required to file the FR Y-7 annually, as of the end of the reporter's fiscal year.² FR Y-7 respondents must report the following information:

- Financial statements prepared in accordance with home country accounting principles and practices (including a description of any change in accounting standards or policies);
- Annual report to shareholders and SEC Form 20-F;
- Risk-based capital information;
- Summary financial information for U.S. nonbanking subsidiaries (NFIS);

² Under the International Banking Act of 1978, banks organized under the laws of Puerto Rico and other American possessions are generally not required to file the FR Y-7. Such banks are insured by the FDIC and examined by U.S. supervisory agencies.

- An organization chart reflecting investments in U.S. companies and foreign companies that do business in the United States;
- Disclosure of large shareholders of registered shares and disclosure of known large shareholders of bearer shares;
- Information to determine continuing eligibility as a qualified foreign banking organization under Section 211.23 of Regulation K;
- Financial Statements of Unconsolidated Majority-Owned Related Subsidiaries; and
- Financial Data on Unconsolidated Minority-Owned Related Companies.

FR 2064: U.S. banking organizations with existing direct or indirect investments in international operations complete the FR 2064 when they make such investments subject to Regulation K, when there is a change in the name or location of the investee, when the activities of the investee change, or when there is a change in the percentage of the investee's voting rights held by its direct parent or in the percentage of the investee's equity held by the reporting organization.

Proposed Reporting Requirements

Currently, FR Y-6A and FR Y-7A reporters are required to provide information on virtually all investments in which there was control or an ownership interest of greater than 5 percent. For large, complex banking organizations, this requires reporting changes affecting hundreds, and in some cases, thousands, of legal entities. The revised reports will capture structure information on all top-tier organizations and all active banking companies and banking offices, as required currently; however, they will cover substantially fewer nonbanking investments. In particular, nonbanking companies will be reported only if they are at least 25 percent owned, directly or indirectly, by the reporter or are otherwise controlled. The Federal Reserve solicited comment from the public on limiting reporting of insurance and securities activities by using materiality thresholds. The Federal Reserve decided to limit reporting of insurance companies to (1) the highest-tier provider of a primary line of business (e.g., property/casualty, accident/health) and (2) companies that are required to file a financial report with the Federal Reserve System. Data for merchant banking investments will be collected for all investments that exceed the lesser of 5 percent of tier 1 capital or \$200 million.

This change in reporting is designed to reduce reporting burden, while retaining the information on material investments. The Federal Reserve estimates that the number of FR Y-10 and FR Y-10F reports could be as much as 25 percent lower than the current number of reports as a result of these changes. Other advantages of this reduction in reporting include conserving Federal Reserve System resources, highlighting the more material investments of each reporting organization in order to aid risk-focused examinations, and consistency with the Fed-Lite provisions of the GLB Act. In addition many items on the proposed FR Y-10 and FR Y-10F have been reformatted to make them clearer and easier to complete. For example, in some places check boxes have replaced requirements for the respondent to write in abbreviations or codes. The reporting frequency and due dates for the FR Y-10 and FR Y-10F reports will make the requirements the same for domestic and foreign banking organizations.

New FR Y-10 and FR Y-10F

All top-tier domestic BHCs, state member banks not controlled by a BHC, and Edge and agreement corporations not controlled by a member bank or a BHC will file the FR Y-10. All top-tier FBOs will file the FR Y-10F. The FR Y-10 will collect data on changes to characteristics (such as legal name and location), investments, and activities on three schedules:

- (1) The Characteristics Schedule will collect information on newly formed or acquired companies and for changes to characteristics of previously reported companies.
- (2) The Investments/Activities Schedule will collect initial organizational structure and activities and changes to the organizational structure and activities.
- (3) The Merger Schedule will collect information on the survivor and non-survivor of a merger, and the accounting method if the survivor is a commercial bank.

The FR Y-10F will collect data on changes to characteristics (such as legal name and location), investments, and activities on four schedules:

- (1) The Characteristics Schedule will collect information on newly formed or acquired companies and for changes to characteristics of previously reported companies.
- (2) The Investments/Activities Schedule will collect initial organizational structure and activities and changes to the organizational structure and activities.
- (3) The Merger Schedule will collect information on the survivor and non-survivor of a merger.
- (4) The Branch, Agency and Representative Office schedule will collect information on openings, closings, and relocations as well as other information for these offices.

Revisions to reporting requirements for current FR Y-6A respondents

Cover page:

- Delete “Report within 30 Days following a change in the Reporter’s investments or activities”
- Modify line item “Report Date” to “Submission Date”
- Add line item “Does the Reporter request confidential treatment for this submission of the FR Y-10? (yes / no)”

All schedules:

- Add check boxes to indicate whether the information filed represents an initial filing, an update or a correction and delete line items “Correction (Y/N)”
- Add a new schedule for merger information. This information is reported currently on the FR Y-6A. No items will be added to the report, but the information will be broken out separately on the FR Y-10 on the Merger Schedule.

Characteristics:

- Delete item to indicate FHC status. This is item 8 of Section B of the Characteristics Schedule. Reserve Banks will obtain this information from the Declaration to Become a Financial Holding Company (FR 4010; OMB No. 7100-0292), which is a letter filed with the applications in Banking Supervision at the Reserve Banks.

- Eliminate current item 7 on the FR Y-6A, which requests SEC Reporting Status. This information can be obtained from the SEC web site.

Investments and Activities:

- Revise item on the Bases of Control. This item is on the Investments/Activities Schedule of the FR Y-6A. This item will be included in Section B of the Investments and Activities Schedule of the FR Y-10. The respondent will be required to check a yes or no box to indicate that they control the reported entity through a means other than equity ownership. Previously, respondents had to provide a description of the other basis of control such as election of majority of directors.
- Delete the Control Indicator item from the Investments/Activities Section on the FR Y-6A.
- Add a line item to capture information on majority ownership of a reported entity by more than one company within the BHC's organization (FR Y-10, Investments and Activities, Section A, item 3).
- Change the reporting requirement for nonbanking companies from virtually all entities to only selected entities, as described above in the FR Y-10 section. (All banking entities will continue to be reported.) Reducing the number of entities to be reported will lower reporting burden. This will help offset the increased burden of the new investments allowed under the Gramm-Leach-Bliley Act of 1999.
- Change the current reporting of exact percentage of ownership to a bucket approach for nonbanking investments. This will reduce reporting burden since an institution will not have to file an updated form for minor changes in percent of ownership. The respondent will choose from the following categories in Section B—Investments, Item 4(c) of the FR Y-10:
 - Less than 25% but 25% or more in the aggregate within the reporter's organization
 - 25%-50 %
 - > 50% to <80%
 - 80.00% or more
- Delete the information currently requested on the name and location of an institution from which the respondent purchased an investment.
- Add line item "Percent of non-voting equity if greater than or equal to 25%."
- Revise the list of activity codes to be reported. This information will be reported in the Investments and Activities Schedule, Section D - Activities of the FR Y-10. The Federal Reserve Board of Governors' Activity Codes will be used to report financial activities. North America Industrial Classification System (NAICS) codes will replace the four-digit Standard Industrial Classification (SIC) codes for reporting commercial activities. (NAICS codes will be used in an effort to achieve consistency between the previously reported SIC codes and the new NAICS codes).
- Delete investments of DPC companies to minimize reporting burden.
- Streamline the list of legal authority codes. This will also reduce respondent reporting burden.

Revisions to reporting requirements for current FR Y-7A respondents

Cover page:

- Delete item on the FHC status and effective date. This information is reported on the FR 4010 (OMB No. 7100-0292) and will be obtained as described in the section above for FR Y-6A respondents.

All other schedules:

- Add check boxes to indicate whether the information filed represents an initial filing, an update or a correction and delete line items “Correction (Y/N).”
- Add a new schedule for merger information. The Merger Schedule will collect information on the date of the merger and the name and address of the survivor and nonsurvivor. In addition, for U.S. bank mergers, this schedule will collect information on whether the nonsurvivor continued as a branch of the survivor and on what type of accounting method was used (pooling of interest or purchase). This schedule will be completed only for certain types of mergers as described in the FR Y-10F instructions.
- Add managed non-U.S. branches to the reporting panel.
- Change the reporting due dates to thirty calendar days for all transactions. Currently, the reporting deadline is annually, four months after the institution’s fiscal year end for all reportable transactions, with the exception of GLB Act related activities, which are reported on an event-generated basis within 30 calendar days after the transaction. An acceleration of the reporting schedule had been proposed previously, but was rejected due to the reporting burden. However, more timely reporting will now be feasible because many fewer companies will need to be reported (see below).
- Add an item to indicate the Transaction Type on Section B of the Investments Schedule of the FR Y-10F.
- Add questions on the Transaction Type and Date for activities of the reported entity. These items will be shown on the Investments and Activities Schedule, Section C – Activities of the FR Y-10F.
- Add a question on the name and location of an institution to which the respondent sold an investment to another reporter or transferred an investment from an entity within the organization.
- Delete investments of DPC companies to minimize reporting burden.
- Streamline the list of legal authority codes. This will reduce respondent reporting burden.

U.S. Banking Activities:

- Replace Date established (current line 2) and Date terminated (current line 3) with four lines on Branch, Agency, and Representative Office schedule. Add items for the date licensed, opened, date the branch, agency, or representative office became inactive, date the license was surrendered, and effective date for a change to the establishment type.
- Modify the collection of charter information. For Report Item 1.B, question 1 of the FR Y-7A, will be reported in the Characteristics Schedule, Section B - Other Characteristics, Item 3 on the FR Y-10F.

U.S. Nonbanking Activities:

- Delete information on whether the direct holder owns nonvoting equity securities for nonbanking investments. This item is reported in Report Item 2, question 7 of the FR Y-7A.
- Change the reporting requirement for nonbanking companies from virtually all entities to only selected entities, as described above in the FR Y-10F section. (All banking entities will continue to be reported.) Reducing the number of entities to be reported will lower reporting burden. This will help offset the increased burden of the new investments allowed under the Gramm-Leach-Bliley Act of 1999.
- Change the current reporting of exact percentage of ownership for nonbanking investments to a bucket approach. This will reduce reporting burden so that an institution will not have to file an updated form for minor changes in percentage of ownership. This information is currently included in Report Item 2, question 3 of the FR Y-7A. The respondent will choose from the following categories on the Investments/Activities Schedule, Section B - Investments, Item 4(c) of the FR Y-10F:
 - Less than 25% but 25% or more in the aggregate within the reporter's organization
 - 25% to 50%
 - > 50% to <80%
 - 80% or more
- Delete FR Y-7A, Report Item 2, question 13 and replace the reporting of activities with a fuller description consistent with information currently filed by domestic reporters.
- Revise the list of activity codes to be reported. This information will be reported in the Investments and Activities Schedule, Section D - Activities of the FR Y-10F. The Federal Reserve Board of Governors' Activity Codes will be used to report financial activities. NAICS codes will replace the four-digit SIC codes for reporting commercial activities. (NAICS codes will be used in an effort to achieve consistency between the previously reported SIC codes and the new NAICS codes).
- Move FR Y-7A, Report Item 2, question 13(b) and 14 to the FR Y-7. These items collected information on subsidiaries held under Section 2(h)(2) or Section 4(c)(9) of the BHC Act and Section 211.23(f) of Regulation K and information on business measurement tests.

Proposed Revisions to the FR Y-7

- Eliminate Item 1.D, which currently requests the FBO's SEC reporting status.
- Eliminate Item 2.B, which currently requests information on Changes in Ownership Interest in U.S. Nonbank Subsidiary. This information will be captured on the FR Y-10F.
- Modify Item 3, Organization Chart:
 - Modify the list of reportable entities to parallel the language in the FR Y-10F instructions, as appropriate. The FR Y-7 will request more information on noncontrolled nonbanking investments and respondents will be allowed to provide these additional entities in the organization chart or in a separate list.
 - Eliminate the reporting of merchant banking investments, made by qualified affiliates of FHCs that are not reported on the FR Y-10F.

- Add a section for listing subsidiaries held under Section 2(h)(2) or Section 4(c)(9) of the BHC Act and 211.23(f) of Regulation K and information on the business measurement tests previously included on the FR Y-7A.
- Eliminate DPC reporting.

Proposed Revisions to the FR Y-6

- Modify Item 2, Organization Chart:
 - Modify the list of reportable entities to parallel the language in the FR Y-10 instructions, as appropriate. The FR Y-6 will request more information on noncontrolled nonbanking investments and respondents will be allowed to provide these additional entities in the organization chart or in a separate list.
 - Eliminate the reporting of merchant banking investments, made by qualified affiliates of FHCs that are not reported on the FR Y-10.
 - Eliminate DPC reporting.

Revisions to reporting requirements for current FR 2064 respondents

- All structure information will be moved to the FR Y-10 and will be filed according to the thresholds listed in the FR Y-10 instructions.
- Eliminate the collection of the FR 2064 report and replace this reporting requirement with a requirement to maintain records of comparable information.

Time Schedule for Information Collection

The FR Y-6A is currently filed by top-tier BHCs, including FHCs, and unaffiliated state member banks. The FR Y-6A is event-generated and must be submitted within thirty calendar days of a reportable change in investments or activities. The proposed FR Y-10 will be filed within thirty calendar days for all transactions. Top-tier BHCs file the annual FR Y-6 as of the end of their fiscal year-end; the report is due not later than three months after the as-of date. Data from these reports are not published, but non-confidential data are available to the public upon request. Reporting is mandatory.

The FR Y-7A is currently filed by FBOs, including FHCs. For FBOs that are FHCs, the FR Y-7A is event-generated and must be filed within thirty calendar days of a reportable change in investments and activities related to the GLB Act. All FBOs file the FR Y-7A annually, as of the end of the FBO's fiscal year, for all new companies, investments, and activities. The annual reports are due no later than four months after the as-of date. Each year after an FBO's first annual filing, Reserve Banks send a facsimile confirmation report to the FBOs for verification. The FBOs annotate the facsimile confirmation report for changes and corrections and return this to the Reserve Bank to fulfill the annual reporting requirement going forward. All FBOs will file the proposed FR Y-10F within thirty calendar days for all transactions. All FBOs file the FR Y-7 annually as of the end of the FBO's fiscal year; the report is due not later than four months after the as-of-date. Data from these reports are not published, but non-confidential data are available to the public upon request. Reporting is mandatory.

The FR 2064 is currently filed by member banks, Edge and agreement corporations, and BHCs with direct or indirect investments in international operations. The FR 2064 report is event-generated and must be filed by the end of the calendar month following the month in which the investment, acquisition, or change is made. This report is being replaced with a mandatory recordkeeping requirement and will no longer have to be filed with the Federal Reserve.

Legal Status

The Board's Legal Division has determined that the following statutes authorize the Federal Reserve to require the reports:

FR Y-6, FR Y-6A and FR Y-10	Section 5(c) of the Bank Holding Company Act (BHC Act) (12 U.S.C. 1844(c)); Section 9 of the FRA (12 U.S.C. 321); Section 25 of the FRA (12 U.S.C. 601-604a); Section 25A of the FRA (12 U.S.C. 611-631); and, Regulation Y (12 CFR part 225).
FR Y-7, FR Y-7A and FR Y-10F	Section 5(c) of the BHC Act (12 U.S.C. 1844(c)); Section 7 and 13(a) of the International Banking Act of 1978 (12 U.S.C. 3106 and 3108 (a)); Section 25 of the FRA (12 U.S.C. 601-604a); Section 25A of the FRA (12 U.S.C. 611-631); and, Regulation Y (12 CFR part 225).
FR 2064	Section 5(c) of the BHC Act (12 U.S.C. 1844(c)); Section 7 and 13(a) of the International Banking Act of 1978 (12 U.S.C. 3106 and 3108 (a)); Section 25 of the FRA (12 U.S.C. 601-604a); Section 25A of the FRA (12 U.S.C. 611-631); and, Regulation K (12 CFR part 211.7(c)); and is given confidential treatment (5 U.S.C. 552(b) (4) and (b)(6)).

The Board's Legal Division also determined that the data in the FR Y-6, FR Y-6A, FR Y-10, FR Y-7, FR Y-7A and FR Y-10F reports are not considered confidential. However, a company may request confidential treatment pursuant to section (b)(4) and (b)(6) of the Freedom of Information Act [5 U.S.C. §§522(b)(4) and (b)(6)]. Section (b)(4) provides exemption for "trade secrets and commercial or financial information obtained from a person as privileged or confidential." Section (b)(6) provides exemption for "personnel and medical files and similar files the disclosure of which will constitute a clearly unwarranted invasion of personal privacy."

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Respondent Burden

The following table shows the estimated annual reporting burden for the current and proposed reports. The Federal Reserve estimates that the proposed changes to the structure reporting requirements will likely decrease the annual burden from 19,836 to 14,284 hours. This 28 percent reduction is attributed to (1) increasing the thresholds for investments to be included in the report, (2) reducing the types of investments to be included in the report, (3) streamlining the method of reporting percentage of ownership for nonbanking investments, (4) allowing for limited reporting of certain subsidiaries, and (5) simplifying the legal authority and activity codes. The average hours per response for the FR Y-7 will also increase slightly to reflect the movement of items from the FR Y-7A. As a result, the estimated annual burden for these two annual reports will increase from 26,182 to 26,313 hours, or about half a percent. The estimated 750 hours of reporting burden for the FR 2064 will be replaced with recordkeeping burden of 320 estimated annual burden hours.

	<i>Number of Respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>	<i>Percent- age change</i>
Structure Reports:					
Current FR Y-6A	2,406	5.5	1.35	17,865	
Current FR Y-7A					
All FBOs	327	1	4.65	1,521	
FBOs as FHCs	30	12	1.25	450	
Subtotal				19,836	
Proposed FR Y-10	2,448	4	1.25	12,240	
Proposed FR Y-10F	327	5	1.25	2,044	
Subtotal				14,284	
<i>Change</i>				-5,552	-28%
Annual reports:					
Current FR Y-6	5,638	1	4	22,552	
Current FR Y-7	327	1	11.1	3,630	
Subtotal				26,182	
Proposed FR Y-6	5,638	1	4	22,552	
Proposed FR Y-7	327	1	11.5	3,761	
Subtotal				26,313	
<i>Change</i>				131	+0.5%
Total change				-5,421	

Based on an hourly cost of \$20, the estimated annual reporting cost to the public will decline from \$920,360 to \$811,940 a decrease of \$108,420 or about 12 percent.

Estimate of Cost to the Federal Reserve System

Current costs to the Federal Reserve System for collecting and processing these reports are estimated to be \$6,181,181 per year. With the revisions the estimated costs will decrease by 22 percent to \$4,792,385 per year. The one-time costs to implement the revised reports are estimated to be \$461,960.